

# Business Roundtable Discussion on Local Economy

*By Travis Snider, Executive Director Northwest Business Institute*

Trying to determine where we are in the current economic downturn is a frustrating task. Last week, in an effort to gain perspective about conditions locally, a group of Chamber leaders met to share their observations of the economy in Snohomish County and surrounding areas.

Jennifer Shelton, of the Small Business Development Center, presented a survey of her clients' observations and expectations.

- 38 companies responded to the survey
- 58% said revenue through October 2008 was increasing or stable
- 42% indicated revenue was declining
- Looking to the future, 34% of respondents were expecting growth, while 32% thought revenues would be stable
- Only 34% expected next year to be stagnant or declining

During the roundtable discussion, representatives of various industries spoke about their experiences and expectations.

- Auto dealers: Sales are down dramatically. Dealer repair business is down as car owners defer vehicle maintenance. Dealers are reporting some local layoffs.
- Construction, commercial: Many projects were in the pipeline in July. Today, most are on hold. Few projects are going forward.
- Retailers: There are expectations for a decent Christmas season now that the Boeing strike is settled. No records will be set, but consumers are expected to continue buying. Financing for big-ticket items, however continues to be a problem. One furniture retailer reported selling 14 big screen television sets over a weekend, but only 2 could obtain financing.
- Financial advisors: Firms are profitable, but are busy helping clients update their portfolios. Advisors report a lack of confidence on the part of clients and expectations of a long recovery. Volatility will continue for some time.
- Lynnwood Convention Center: The year was good until November. Bookings for the first quarter of 2009 are better than 2008, but the expectation for 2010 is down.
- Wholesale, copier sales: Sales are off about 20% from the prior year. Service revenue remains stable, with decreases centered on equipment sales. The company remains committed to its long-term growth plan and expects no layoffs at present. Other cost-cutting measures are being pursued.
- Restaurants: Business is down significantly since September. The holiday season is a busy time of year, so there have been few layoffs so far. January may be a different story. Consumer confidence is playing a role as people reduce their spending. The bar business usually goes up in tough times, but it is not happening this year.
- Staffing and recruiting: There are finally more job candidates in the market than in the previous year, however, the quality of candidates is not very high. It is hard to find good performers.
- Real estate: Many agents have left the industry as home sales declined dramatically. Some agents believe a price bottom is forming and they see investors coming into the market. Sales were better in October than in September.
- Banking: There is a lot of confusion among bank customers about the focus of local banks. While some banks tout they are lending, customers have worries about access to credit. Mortgage lending is having one of the best years ever. There is substantial FHA lending, as well as lending for refinancing and renovation. Lines of credit are being reduced or suspended. Credit standards have been increased and requirements to revolve credit lines are being reinstated. Business loans are being made, but some banks have a minimum of \$250,000. Community banks are gaining business at the expense of larger banks.

A survey of the 17 participants was taken with the following results:

- Do you intend to borrow money in the next 6 months? 35% yes, 65% no.
- Do you expect relations with your bank to change? 41% yes, 59% no.
- Do you expect sales to increase over the next year? 47% yes, 53% no.
- Will you hire new employees in the next year? 53% yes, 47% no.
- Are you anticipating layoffs in the next year? 59% yes, 41% no.
- Do you expect profits to grow over the next year? 65% yes, 35%.

We noted these observations and comments:

- Consumer confidence is at an extremely low level and is causing much of the slow down in spending.
- This recession came on faster and is deeper than previous recessions.
- Of the companies surveyed, more than 50% indicated their sales were up or stable. Of expectations for 2009, 65% expected profits to be up even if sales are soft.
- There is considerable concern about the lending policies of local banks. It is not clear which banks are lending money and whether access to credit will be available.
- There is evidence that the recession could end sometime in 2009, but some participants expect it to last 3 years or more.

Participants suggested the following be done:

- Do business locally. Support other Chamber members.
- Continue to network and dialogue with one another.
- Highlight positive things happening in the economy.
- Direct comments and concerns to state and local government. The critical message for government: do not attempt to balance budgets at the expense of the business community. Instead, find ways to support business by making it easier to do business in Washington.

If you have comments to share with Chamber members, send us an email at [info@s2c3.com](mailto:info@s2c3.com) and let us know your thoughts. The Chamber will hold future discussions on the economy and provide information in future newsletters.

Travis Snider is the Executive Director of the Northwest Business Institute, a program of the South Snohomish County Chamber of Commerce. He provides coaching services to Chamber members through the Northwest Hot 100 Business Acceleration Program.